



Hundredth Legislature - Second Session - 2008
Introducer's Statement of Intent
LB 854

Chairperson: Rich Pahls
Committee: Banking, Commerce and Insurance
Date of Hearing: January 29, 2008

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 854 is a bill introduced by the Banking, Commerce and Insurance Committee, at the request of the Nebraska Department of Insurance, and would do the following:

- (1) The bill specifies that willful operation of an unregistered discount medical plan organization or collection of fees for membership in a discount medical plan organization without providing the promised benefits is a fraudulent insurance act and specifies that commission of such a fraudulent insurance act is a Class IV Felony. The bill amends the definition of “insurer” to include a discount medical plan organization for purposes of being subject to the criminal offense. (Section 28-631) (Section 1 of the bill).
- (2) The bill amends the definition of “insurer” in the Insurance Fraud Act to include a discount medical plan organization. (Section 44-6603) (Section 2 of the bill).
- (3) The bill specifies that willful operation of an unregistered discount medical plan organization or collection of fees for membership in a discount medical plan organization without providing the promised benefits is a fraudulent insurance act for which civil penalties apply. (Section 44-6604) (Section 3 of the bill)
- (4) The bill provides for a new named act: Discount Medical Plan Organization Act and provides that the purposes of the act are to promote the public interest by establishing standards for discount medical plan organizations. (Sections 4 and 5 of the bill).
- (5) The bill provides definitions and enacts a new section to provide standards under which “control” is presumed to exist for purposes of the act. (Sections 6 and 7 of the bill).
- (6) The bill provides that the act applies to discount medical plan organizations doing business in or from this state and specifies circumstances under which the discount medical plan organization would not be required to register. The bill specifies that health care providers who offer discounts to their patients without a fee for such a discount are not required to register. The bill enacts a new section to require discount medical plan organizations to apply for registration with the Director of Insurance. The bill sets

standards for the director to evaluate the application and the process for approval or disapproval of the application. The bill allows the director to revoke or suspend a registration, impose an administrative penalty, or issue a cease and desist order for violations of the act, and adopts the process for the revocation or suspension proceedings. The bill provides for annual renewal of the registration of the discount medical plan organization. The bill requires discount medical plan organizations to give notice to the director of disciplinary proceedings in other states. (Sections 8 and 9 of the bill).

- (7) The bill provides that the Director of Insurance may examine the business affairs of the discount medical plan organization and sets standards for the examination and requires the discount medical plan organization to pay the costs of any examination. The bill provides that the discount medical plan organization may charge a reasonable fee for its plan and would allow members to claim reimbursement if they cancel the membership within 30 days. The bill requires that the fee bear a reasonable relation to the services provided. (Sections 10 and 11 of the bill).
- (8) The bill requires discount medical plan organizations to have a written agreement with health providers that meets the requirements set forth in the act. The bill requires the discount medical plan organization to maintain an internet site and toll-free telephone number that lists providers under the plan. The bill requires discount health plan organizations to maintain contracts with sufficient types and numbers of providers and requires maintenance of an access plan. The bill provides that discount medical plan organizations may contract with marketers, requires an agreement for marketing, and sets standards for the agreement. (Sections 12 and 13 of the bill).
- (9) The bill requires that all advertising materials of the discount medical plan organization be truthful and not misleading. The bill prohibits the use of the words that would lead people to believe they are purchasing insurance and requires discount medical plan organizations to disclose information. The bill requires that members receive plan documents. The bill requires that medical plan organizations must notify the director of changes in contact information for the discount medical plan organization and provide an annual report to the director of the discount medical plan organization's activities. The bill provides penalties if such information is not provided at the time of renewal. (Sections 14 through 16 of the bill).
- (8) The bill specifies that violations of the act are a violation of the Unfair Trade Practices Act and adopts administrative penalties for violations of the act. The bill grants cease and desist authority and rulemaking authority to the Director of Insurance. (Sections 17 through 19 of the bill).

Principal Introducer:

**Rich Pahls, Chairperson
Committee on Banking, Commerce and Insurance**